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The Gold Standard.



HOW IT CAME INTO THE WORLD AND WHY IT WILL STAY.
A HISTORICAL SKETCH WITH SOME PRACTICAL
REFLECTIONS THEREON.

*AN ADDRESS BEFORE THE CONGRESS OF BANKERS AND
FINANCIERS AT CHICAGO, JUNE 20, 1893.*

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THE GOLD STANDARD.

The most impressive fact in the world of finance is the dominance of the gold standard. A year or two ago Roumania passed under its sway, to-day it is Austria, next year or soon it will be India, by and by it will be Russia, and meanwhile it has lost no ground that it has ever held. Three international conferences have been assembled to stay this conquering march, while none has been called to promote or assist it. Yet the movement has been as little impeded as that of an ocean steamer would be by the action of a debating society in its own cabin. Is all this due to human perversity, or has it a rational cause founded in the needs of mankind?

THE EXPERIENCE OF ENGLAND.

The first nation to adopt the single gold standard by law was England. This was really done in 1798, although the date usually assigned to it is 1816.

The pound sterling was originally a pound weight of silver, divided into twenty parts called shillings, and each of these into twelve parts called pennies, or pennyweights. Gold made its first appearance in the coinage of England in the reign of Edward III. (A. D. 1345). The ratio of gold to silver fixed by royal decree in this coinage was about $12\frac{1}{2}$ to 1.

From this period to the forty-third year of the reign of Elizabeth there were nine debasements of the silver coinage accompanied by changes in the gold

coinage, but as these were arbitrary acts of the reigning sovereigns they possess no scientific interest. In the forty-third of Elizabeth (1601) the last debasement was made. The pound weight of silver was then coined into sixty-two shillings, and the pound of gold into thirty-three and one-half sovereigns of seven pennyweights and four grains each, the ratio of gold to silver being 11 to 1. The silver coinage being henceforth unchanged, it becomes possible to trace the commercial variations of the two metals and to observe the ineffectual struggles of society and government to keep both of them in use as legal-tender money.

Queen Elizabeth died two years later. Before her successor, James I., had been on the throne three years, gold had risen in value as compared with silver, and the gold coins were exported to such an extent that it was necessary to diminish their weight about 11 per cent. The ratio now established was a little more than 12 to 1.

In the ninth year of the same reign the gold coin began to be exported again, so that it was necessary to make a new change of ratio. This time the ratio was fixed at 13 to 1. But this was too great an advance in the rating of gold. An exportation of silver set in which caused great inconvenience in the kingdom. Instead of readjusting the ratio the King, in the year 1614, issued a proclamation prohibiting the exportation of the precious metals. The proclamation had no effect. So another one was issued in 1618 reaffirming the first one and forbidding the melting of coin for the purpose of making plate, although a certain amount might be used for repairing old plate and keeping it up to its original standard. As the evil continued a third proclamation was issued in 1622

and a fourth in 1624. None of these had any effect except to make an historical record of the futility of attempts to enforce a legal ratio which is different even in a slight degree from the market ratio. It was customary during this period to pay a premium of two pence for silver change to the amount of 20 shillings.

Soon after Charles I. began his reign he issued a proclamation on the same subject, reciting the previous ones of his father and acknowledging that they had been disregarded. In 1636 seven persons accused of melting and exporting coin were arrested and fined £8,500 and imprisoned till the fines were paid, but even this example did not put a stop to the practice. Silver was worth two or three pence per ounce more than the mint valuation, and this fact dominated society from the King on the throne to the beggar on the dunghill. But what could not be prevented by royal proclamation and star chamber was stopped by an unseen force. The price of gold was slowly rising, so that about the beginning of the Commonwealth the ratio that King James had established was identical, or nearly so, with the market ratio. The exportation of the precious metals ceased until the reign of Charles II.

In 1663 gold had risen in value so that it was necessary to change the ratio to $14\frac{1}{2}$ to 1. This was an advance of about 8 per cent. since James I.

Each time that a change was made in the gold coinage a new name was given to the coin so produced, in order to distinguish it from its predecessors. The coin that Charles II. now introduced was called the guinea. It was ordered that this coin should pass for twenty shillings, but it immediately became current in trade at a higher rate, passing for

twenty-one to twenty-two shillings. No attempt was made to enforce the mint valuation or to prevent melting or exporting. Consequently silver became in practice the only legal-tender money. Nobody would offer a guinea to pay a debt of 20 shillings when it was worth 21 shillings. The guineas passed for what they were worth as bullion. That was a time when the clipping of coin was much practiced, but it was no advantage to clip a gold coin, since it was taken only at its bullion value. The silver coins, however, passed by tale. Consequently they alone were subjected to the clipping process. The evil became so great that a recoinage of silver was necessary and was undertaken in the reign of William III. This was a celebrated event in many ways. Both Sir Isaac Newton and John Locke were concerned in it. In the year 1717 the guinea was made current by royal proclamation at 21 shillings in silver, at which figure the ratio was about $15\frac{1}{7}$ to 1. This was in the third year of the reign of George I.

It was about this time, says Lord Liverpool, that a marked preference was shown by the people for gold money rather than silver, on account of its convenience in making large payments. This he ascribes to the increase in the commerce of the country. As gold was slightly overrated at the ratio of $15\frac{1}{7}$ to 1, there was a tendency to export silver. Only £584,000 of the latter metal was brought to the mint for a period of eighty-three years down to the end of the century, and most of this came from Spanish treasure ships captured in war. The only silver coin retained in circulation was that which had been much worn. As these light-weight pieces varied among themselves, the lightest ones were selected to make payments, a

condition which became worse and worse until Parliament in 1774 passed an act limiting the legal tender of silver coins to £25 in tale. For any sum above £25 they could be paid by weight only. This act was to continue in force only two years, the expectation being that some other remedy for the evil would shortly be found. It was re-enacted from time to time till 1798, when another clause was added providing that no more silver should be coined at the mint, nor should any be delivered that had been coined, but that the owners of such silver should be paid for it. In the following year (1799) a brief act was passed making the act of 1774 perpetual. In 1816 the character of the British monetary system was formulated by an act of Parliament on its present basis, the essential part of this act being in the following words:

“ XI. And whereas at various times heretofore the coins of this realm of gold and silver have been equally a legal tender for payments to any amount, and *great inconvenience has arisen from both those precious metals being concurrently the standard measure of value and equivalent for property*; and it is expedient that the gold coin made according to the indentures of the Mint should henceforth be the sole standard measure of value and legal tender for payment, without any limitation of amount, and that the silver coin should be a legal tender to a limited amount only, for the facility of exchange and commerce;

“ Be it therefore enacted, That from and after the passing of this act, the gold coin of this realm shall be and shall be considered and is hereby declared to be the only legal tender for payments, except as hereinafter provided, * * * and no tender of payment of money made in the silver coin of this realm of any sum exceeding the sum of forty shillings at any one time shall be reputed a tender in law, etc.”

This is a brief résumé of the experience and legislation of Great Britain. It is important as showing that the single gold standard was adopted on account of the "great inconvenience" of the double standard, which had been in vogue previously. Of course, this "inconvenience" had attracted the attention of learned men before 1798. John Locke had shown that a double standard composed of two things of varying value was an impossibility. He favored the single standard of silver, as did the learned men who considered the same question in France a century later.

It appears that the gold standard was adopted without any particular design on the part of those who brought it about. They found, as a matter of fact, that the monetary evils existing in 1774 could be cured most readily by limiting the legal tender of silver. So they did it for two years, and then for two years more, and so on, till 1798-99, when they had become satisfied by the experience of twenty-five years that the single gold standard was the right thing to put an end to the "inconvenience." Seventeen years later, the experiment having continued to be successful, they passed the law which I have quoted. That law, in substance, remains in force to the present time, and we may be sure that it would not have lasted so long if it were not a good thing *per se*.

THE GOLD STANDARD IN THE UNITED STATES.

We will next consider the experience of the United States. At the beginning of our career as a nation we adopted the double standard of gold and silver. This was in 1792. Our statesmen followed in this matter the example of the older countries of Europe.

Alexander Hamilton was the Secretary of the Treasury and the ruling spirit. At his instance the ratio of 15 was adopted, and there is no room to doubt that this was very close to the true market ratio at the time. The English ratio of 15 1-7 ceased to be operative, as we have seen, because it was too high. France was at that time under the régime of irredeemable paper. Consequently nothing could be learned from her. The discussions and writings of the period show that there was an honest and earnest effort to adopt the market ratio as the legal ratio, and that the result reached was as nearly true as possible. Nevertheless, gold began to grow scarce in our circulation as early as 1810, and had wholly disappeared in 1817. One ounce of gold had come to be worth as metal something more than fifteen ounces of silver. It was worth while for bullion brokers to collect gold coins and export them. The testimony is emphatic and is not disputed; that after 1817 and until 1834 our metallic money consisted of silver exclusively.

THE LAW OF 1834.

In 1834 people had become tired of lugging silver around. They had by this time found out what was the matter. They determined to have some gold in their pockets, but it cannot be affirmed that Congress had reached a scientific conclusion in favor of the single gold standard. What is certain is that Congress adopted the ratio of 16 to 1 in 1834 by very large majorities in spite of proofs urgently presented that this ratio would drive silver out of circulation altogether, as it did. This bill was called the "Gold Bill" in the discussions of the time. As reported by the special committee, it provided for a ratio of 15.60 to 1, but when it came up for discussion, Mr. Camp-

bell P. White, the Chairman of the Committee, who was himself in favor of the single gold standard, moved to amend by making the ratio 16 to 1, and his amendment was adopted without a division. On the main question the debate was long and animated. An amendment to the amendment was offered, making the ratio 15.625 to 1, and it was supported on the ground that this was the true market ratio, and that it would enable the country to keep both silver and gold in concurrent circulation. This amendment was voted down—yeas 52, nays 127. The bill was then passed in the House by 145 to 36, and in the Senate by 35 to 7.

There was a variety of motives leading to the passage of the Gold Bill, but among these the desire of having gold in place of silver was the most influential. Thomas H. Benton, one of the strongest advocates of the measure, declared that the object of his endeavors was :

“ To enable the friends of gold to go to work at the right place to effect the recovery of that precious metal which their fathers once possessed, which the subjects of European kings now possess, which the citizens of the young republics to the south all possess, which even the free negroes of San Domingo possess, but which the yeomanry of this America have been deprived for more than twenty years, and will be deprived forever unless they discover the cause of the evil and apply the remedy to its root.—[Speech of Senator Benton of Missouri, quoted by Louis R. Ehrich in his ‘Question of Silver.’]”

The effect that was predicted was abundantly realized. Silver did go out of circulation. The minor coins, being of proportional weight and fineness with the dollar, were melted and exported, and their

place in the circulation was taken by light-weight foreign coins, principally Spanish and Mexican six-pences, shillings, quarters, and halves. Those coins, when of full weight, were almost identical with our own fractional coins. If our own would not circulate the foreign ones of course would not. But if there was a certain proportion of these coins, whether foreign or domestic, that had been worn down by long use so that they really represented the market ratio or something less, such coins would circulate concurrently with gold. To illustrate: two halves, four quarters, or ten dimes, if new and of full weight, were worth about one cent and a half more than a gold dollar. Consequently they would be collected by brokers, melted and exported. But two halves, four quarters, or ten dimes, that had lost one and a half cents' worth of silver by abrasion, would circulate, because there would be no motive to melt or export them. There would be no profit in it. When I was a boy the silver money of this country consisted exclusively of foreign coins, mostly Spanish and Mexican, but with a considerable sprinkling of English, French, German and Scandinavian pieces. Every merchant kept a coin chart manual for handy reference to determine the value of these pieces as they were offered in trade. I have also seen Spanish quarters cut in half, each piece circulating as a shilling. There was nothing remarkable about this, since all these foreign coins were circulating at their bullion value. The two halves of a Spanish quarter were therefore worth as much as they would have been if joined in a single piece.

It became apparent to everybody that if full-weight silver coins would not circulate on the ratio of 16 to 1, while those of light weight would circulate, then it

would be safe to *make* minor coins (halves, quarters, etc.), designedly of light weight on Government account, of limited legal tender. There would be no profit in exporting such coins, because they would not sell as bullion for as much as it would cost to collect them. In 1853 an act of this kind was passed.

From 1837 onward the country had gold money and the gold basis. Silver dollars were hardly ever seen. There was not an hour in the whole period of forty years to 1873 when the silver dollar was not worth more than the gold dollar. With the exception of a very few years it was worth fully three cents more. Did any of you ever see a silver dollar in circulation prior to 1878? I never did.

THE LAW OF 1873.

Under these circumstances, the gold standard existing *de facto*, and there being no silver except light-weight subsidiary coins, our mint authorities, the only people who took any interest in the subject, began even before the war to recommend that the single gold standard should be adopted in law as it had been adopted in fact. Ex-Gov. Pollock, Director of the Mint, in his report for 1861 called attention to the incongruity of a silver dollar that was worth 3.10 cents more than the gold dollar and 8 cents more than two half dollars. He recommended that it should either be dropped from the list of coins or reduced in weight so as to correspond with the subsidiary coins. He considered that gold was *de facto* the standard of value, and he recommended that the law should conform to the fact. But the nation had more exciting topics to discuss in 1861 than those relating to coinage. In 1866, after the war, Mr. John J. Knox, who then had charge of the Mint and coinage matters in the

Treasury Department, recommended a revision of all the laws relating to the Mint. Secretary Boutwell approved of the suggestion. Mr. Knox and Dr. Linderman were appointed in 1869 a committee to make such revision. They presented their report with a draft of a bill in 1870. The report recommended the discontinuance of the silver dollar, this coin being obsolete.

The bill and report were transmitted to the Finance Committee of the Senate on the 25th of April, 1870. The bill passed the Senate on the 10th of January, 1871. It made the gold dollar the unit of value and it dropped the silver dollar from the list of coins. The bill failed in the House for want of time. The Forty-first Congress having expired without final action it came up again in the Forty-second. It passed the House May 27, 1872, by yeas 110, nays 13. It passed the Senate January 17, 1873, without a dissenting vote. The metal in the silver dollar at that time was worth two cents more than the gold dollar. No objection to the bill was heard until the price of silver had fallen so that the silver dollar, if there had been any, would have been worth less than the gold dollar. Then it became fashionable to say that the bill was passed surreptitiously. The truth is, that the bill was before Congress two years and ten months, that it was printed thirteen times by order of Congress, that the debates on it occupy sixty-six columns in the Senate proceedings, and seventy-eight columns in the House proceedings, and that the discontinuance of the silver dollar was specially discussed in the House. Any candid person must see that the reason why the discontinuance of the silver dollar attracted so little notice was that this coin had been discontinued *de facto* in 1834, when the ratio of 16 to 1 was

adopted. I have given reasons for thinking that this ratio was adopted designedly to expel the silver dollar from circulation. At all events, it did so, to the satisfaction of the people. It is a great pity that our ancestors in 1834 did not put their intentions into the form of law at that time. If they had done so they would have spared us a Pandora's box, to be opened forty years later.

Bimetallism was abolished in the United States by the Act of 1873. It has not been re-established by any subsequent act. The purchase and coinage of a limited amount of silver by the Government is not bimetallism. Still less so is the purchase of bullion which is not coined. Any other metal would answer as well as silver as a backing for the issue of Treasury notes. Let us imagine for a moment that silver had not fallen in price after 1873. Would anybody ever have missed the silver dollar? Would anybody have doubted that the gold standard was brought about in this country by natural causes operating upon men's minds in the same way as it was in England, the action of Congress in 1873 merely giving the form of law to what had been done practically at an earlier period?

THE EXPERIENCE OF GERMANY.

Prior to 1871 Germany had the single silver standard, but as she could not transact business with silver alone, she used for her international and wholesale trade a heterogeneous assortment of gold coins, partly domestic and partly foreign, including napoleons, pistoles, guineas, eagles, Russian imperials, Friedrichs d'or, ducats, crowns, &c., passing as commercial money. The question of a reform of the currency had been under discussion by the economists and pub-

licists of Germany for nearly ten years, but until 1868 the question under debate was a question of *uniformity* of money rather than of the metallic standard. Dr. Soëtbeer had indeed published two articles in 1863 and 1864 in the *Vierteljahrschrift für Volkswirtschaft* on the gold standard, but it was not until after the Paris Monetary Conference of 1867 that the commercial classes began to take an active interest in the question. This Conference was held, at the invitation of the French Government, to consider the question of uniformity of coinage. Nearly all the governments of Europe were represented. The United States were represented also. One of the earliest questions to be decided was that of a standard. The first vote was on the question of adopting the single standard of silver. This was rejected unanimously. Then the single standard of gold was adopted with only one dissenting vote—that of Holland. Nobody proposed bimetallism. The action of this Conference shows that even at a time when the two metals were at an equilibrium according to the French ratio, France and all her allies of the Latin Union were inclined to adopt the single gold standard, and also that Germany, Austria, Russia and the Scandinavian countries, all of which at the time had the single silver standard, were of the same mind.

After this event a great many publications appeared in Germany showing an unmistakable tendency in the public mind to the gold standard. The most important of these is the report which Soëtbeer made at the Ninth Congress of German Economists in the year 1868. This Congress met in Hamburg and pronounced in favor of the unification of German money, and of the gold standard. Its action was ratified soon afterward by the united commercial bodies of

the North German Confederation, and would have been carried into effect at once but for the war with France. This event postponed the reform one year.

GERMAN MONETARY LAW OF 1871.

On the 5th of November, 1871, the Finance Minister of the new German Empire, Herr Delbrück, presented to the Imperial Diet a brief report of the "motives" which had led the Government to propose a measure for the unification of the German coinage. This measure provided for the coinage of gold pieces of ten and twenty marks, and it discontinued the coinage of large silver coins, but did not demonetize those that were in circulation. The report says, first of all, that it may be considered as beyond doubt that the existing silver standard cannot be maintained. The only gold coins authorized by existing law were German crowns and half-crowns, but these had no fixed relation to the standard silver coins of the nation nor to those of any other country. Consequently they were not accepted in the domestic circulation. They had never been an integral part of it, nor had they acquired any standing in international commerce, being melted down as soon as they reached the frontier. Consequently the internal commerce of Germany was confined to the use of bulky and inconvenient silver coins. "The inconvenience of silver coins," says the report, "led of necessity to a very considerable circulation of paper, which, in ordinary times, is taken as a welcome facility, but in critical times contains the germs of serious dangers. The artificial demand for paper created by the exclusive circulation of silver made it almost impossible to adopt any radical and rational regulation of the banking system through laws com-

mon to all Germany." For these reasons—namely, that silver was bulky and inconvenient, and that it brought about a forced circulation of paper and prevented any wise regulation of bank issues—the single gold standard was recommended, with a silver subsidiary coinage. The measure was supported by very strong speeches by Minister Delbrück and by Dr. Bamberger, and it passed on the 23d of November. This measure was provisional only, a second and more detailed one being enacted two years later.

It is said by some that Germany, by demonetizing silver in 1871 and by selling it in 1873 and later, drove France and the Latin Union into a suspension of silver coinage, and caused the great decline in the price of that metal. If this were true it might possess an academic, but hardly a practical interest. Germany is not answerable to us for her tastes. We cannot call her people to account for liking to have gold in their pockets or sauerkraut on their tables. We cannot go back to 1871 or blot out the intervening years. Nor have we been able to persuade Germany that she has made any mistake in her new monetary system. She declined to take part in the Monetary Conference of 1878. She came with reluctance to that of 1881, and announced at the outset that she could not join in any movement for the free coinage of silver. She repeated this declaration at an early stage of the recent Brussels Conference. So I feel warranted in saying that the question whether Germany has been guilty above others in oppressing or depressing silver is of no practical consequence.

But such a charge cannot be sustained. Germany had completed her new monetary system and stopped selling silver in 1879, and the Latin Union countries had closed their mints to silver three years earlier,

whereas silver continued to decline all the same. The London price for 1879 (average) was 51¼d. per ounce. It is now 38d. The decline has been greater since Germany stopped selling than it was before. From 1871 to 1879 the aggregate decline was 9d.; from 1879 to 1893 it has been 13d.

The simple truth is that Germany was driven to the gold standard, just as Great Britain and the United States had been previously, by the *inconveniencies* of silver money. These inconveniencies manifested themselves with some variations of detail in different countries, but all grew out of the ponderousness of silver, an evil which increased with the growth of commerce. Some persons habitually speak of silver as a twin sister to whom some grievous injustice has been done. All such must admit that she is a very corpulent one.

FRANCE BEFORE THE REVOLUTION.

We will now look at the course of events in France. Here the livre was originally a pound weight of silver. It was debased by royal authority from time to time, as in England, but much more rapidly. M. Béranger, in his report on the French monetary system in 1802, says that the ratio of gold to silver was changed twenty-six times between 1602 and 1773, and that the livre at the time when he wrote had been reduced to the seventy-sixth part of its original weight. The livre is now called the franc. It is impossible to trace any scientific connection between these recoinages and the metal ratios except that the divergencies between the legal and market ratios, whenever they were discovered, were seized upon by the Government as an excuse for further debasement. They "fell back alternately from

gold to silver and from silver to gold," says Béranger, making a profit to the royal treasury each time. M. Calonne, Comptroller-General under Louis XVI., has given us a list of the principal recoinages prior to his time, of which there were four in the reign of Louis XIV. and five in that of Louis XV.

It would be a waste of time to recount them. The ratio existing when Louis XVI. came to the throne was $14\frac{5}{8}$ to 1. It had been adopted in 1726. The legal ratio in England at that time, as we have seen, was $15\frac{1}{7}$. Both ratios were, or gradually became, divergent from the market ratio. Silver was exported from England and gold was exported from France. A recoinage in the latter country became necessary, and this was undertaken and executed by Calonne in good faith in the year 1785. Calonne chose the ratio of $15\frac{1}{2}$. This ratio was in force when the celebrated law of 1803 was passed, under the Consulate. It was not exactly conformable to the market ratio at the time. It rated gold too highly, but Calonne said that he had observed that gold had an advancing tendency, and he believed that if $15\frac{1}{2}$ was not the true ratio then, it would become so before long. In this he was right, for when the law of 1803 was passed, there was no observable tendency to export either metal, and the Hamburg market ratio, as tabulated by Soëtbeer, was very close to $15\frac{1}{2}$.

FRENCH MONETARY LAW OF 1803.

I have in another place made a study of the documents and debates which preceded and led up to the French Monetary Law of 1803 (see *Political Science Quarterly*, June, 1891). The substance is that these learned and patriotic men, without exception, considered a double standard impossible and any attempt

to establish it disastrous. They accordingly determined to establish, and thought that they had established, the single silver standard by a law, the first paragraph of which reads as follows :

“General provision.—Five grams of silver, nine-tenths fine, constitute the monetary unit which retains the name of franc.”

But they were confronted by the fact that gold was an indispensable part of the monetary system. How to retain it in the circulation as a subordinate metal while making silver the sole standard was the great puzzle of the day. No less than eight important papers were drawn up from time to time on this question, and no decision was ever reached except to allow gold to be coined at the French mint at the ratio of $15\frac{1}{2}$ to 1, with the understanding that if the market ratio should change, the gold, but not the silver, should be re-coined.

Such was the law of 1803. Although it was the intention of the lawmakers to establish the single silver standard, the clause which they introduced allowing the coinage of gold was the same thing in effect as re-enacting Calonne's law of 1785. It was in practice, though not in intention, a bimetallic law at the ratio of $15\frac{1}{2}$ to 1.

Almost immediately after its enactment France plunged into wars which lasted till 1815. Of course, the nation had very little time to think about her coinage laws. Gradually the price of gold rose above the legal ratio, and that metal was exported to such an extent that Chevalier tells us that “twenty-five years after that date [1803] the circulation consisted of silver only.” Abundant proofs can be adduced showing that bimetallicism did not exist in practice in

France between 1820 and 1847. Mr. Griffen has published a table showing the premium on gold in Paris during every month of that period. This premium was at times as high as two per cent. The contention of the bimetallists that the French law of 1803 kept the ratio steady at $15\frac{1}{2}$ till 1873 is not supported by facts.

THE GREAT INRUSH OF GOLD.

From 1850 to 1860 there was an enormous increase in the production of gold in Russia, California and Australia, and scarcely any increase in that of silver. The market ratio declined to 15.46 in the year 1851, so, of course, gold could again circulate in France. The ratio continued to decline till 1859, when it reached its lowest point, viz., 15.19. It remained below $15\frac{1}{2}$ till 1867. During this interval of sixteen years France imported \$600,000,000 of gold and exported about half that amount of silver. Her circulation became saturated with the yellow metal to the great delight of her people, who had become tired of carrying sacks of five-franc pieces to and fro in cabs and handcarts.

The exportation of silver from France was so extensive at this time that the country was almost denuded of small money. It became necessary to coin gold pieces as small as five francs. In 1857 the scarcity of silver became so great that the Government appointed a commission to investigate the subject. This commission was bent upon maintaining the silver standard. So, instead of following the example of the United States and making silver coins of light weight and of limited legal tender, it recommended that an export duty be put on silver, that bullion brokers be prosecuted, and that assorting and

trading in coins be prohibited by law. In other words, this sapient commission went back for inspiration to the times of Louis XIV. and of James I. and Charles I. of England. Some attempts were actually made to carry out these senseless recommendations, but they were soon abandoned. It was about this time that Chevalier, the French economist, who was a stout champion of the silver standard, proposed to solve the difficulty by providing that French gold coins should have a fixed weight, but a variable value, and that the value should be announced by legislative decree at certain short intervals. M. Levasseur, another economist of renown, but with a keener vision, expressed the opinion that gold had made itself the standard in spite of the law, and he suggested that the wisest thing for France to do was to make the law conform to the fact.

THE LATIN MONETARY UNION.

Nothing was done at that time. Events drifted till 1864, when the lack of small change had become so serious that the Government brought a bill before the Corps Legislatif authorizing the lowering of the fineness of all the silver coins less than five francs to 835 instead of 900 thousandths. This was in effect the same thing that we had done in 1853, when we converted all our silver coins less than one dollar into token money. The proposal was more shocking to the French legislator than to the American, for the reason that the franc was the monetary unit sanctioned by the law of 1803, and this monetary unit was one of the very things to be lowered. The Legislature recoiled, but it sustained the lowering of the pieces smaller than one franc. The difficulty could not be removed by such homœopathic treatment, and as the

same difficulty existed in the neighboring countries of Belgium and Switzerland, a convention was called for the purpose of adopting some common steps for relief. Italy also was induced to join, and soon afterwards Greece. France considered it admissible to do by treaty what she had not been willing to do by direct act. By treaty dated December 23, 1865, these four countries adopted their present token coinage of silver and limited its legal-tender faculty to fifty francs. This was the origin of the so-called Latin Monetary Union.

HOW FRANCE CAME TO THE GOLD STANDARD.

In 1867 the price of silver had again declined, so that the French ratio of $15\frac{1}{2}$ was substantially identical with the market ratio. That was the year of the International Monetary Conference, of which mention has already been made, at which France voted in favor of the single gold standard. Nevertheless, the French legislators abandoned the silver standard with extreme reluctance. They were attached to it by custom and tradition. They still desired, like their ancestors of the Revolution, to have the silver standard with gold as a subordinate metal. They allowed events to drift until 1873, when they were startled to find that 154,000,000 francs' worth of silver had been deposited at the mint for coinage in that year, against only 5,000,000 francs' worth in 1871-2. The amount of silver so deposited was more than the mint could coin in a year and a half, if it did nothing else. The market ratio of gold had risen nearly to 15.75. There was a profit of $1\frac{1}{2}$ per cent. in sending silver bullion to the mint and using the resulting coin to buy gold for export. The delegates of the Latin Monetary

Union were hastily assembled and they determined to limit the coinage of silver to 120,000,000 francs per year for all the countries concerned. This was virtually the adoption of the gold standard.

At the beginning of 1876 the market ratio had reached nearly seventeen to one. The crisis was becoming acute. Switzerland had ceased to coin her allotted share of silver. Belgium had passed a law authorizing the Government to stop coining that metal. M. Leon Say, the French Minister of Finance, sent to the Senate March 21, 1876, a bill of only two lines, in these words, viz.: "The coinage of silver five-franc pieces may be limited or suspended by decree." The Senate Committee to which it was referred, under the lead of M. de Parieu, reported a more drastic measure absolutely forbidding the coinage of any silver money of full legal tender. The legislative body again showed its aversion to change by rejecting the Senate report and adopting, on the 5th of August, the more moderate measure of the Minister of Finance. But it really made no difference which of the two was adopted. The door of the French mint was closed to silver on the following day, and has not been reopened.

I think it has been shown that the gold standard made its way in France not only without design on the part of individuals, but in spite of the strenuous resistance of almost all the men who busied themselves with the subject at all. I have given a good deal of space to the experience of France, because of the great importance which has always been assigned to that country by the advocates of bimetallism.

EXPERIENCE OF BELGIUM AND HOLLAND.

It is unnecessary to go into details concerning the other members of the Latin Union, but one fact as

regards Belgium deserves notice. This country was an integral part of France when the law of 1803 was passed. Her monetary system was accordingly identical with that of France until 1832, when she adopted the single silver standard retaining the franc as the monetary unit. In 1861, when the great influx of gold from California and Australia had made such a change in the monetary conditions of France, the people of Belgium began to taste the luxury of gold in the form of French coins. There was straightway a popular demand that French gold should be made legal tender in Belgium. The Finance Minister, Frère Orban, resisted it. He was impressed with the views of Chevalier in favor of silver, to which allusion has already been made. The popular demand grew apace, and Frère Orban, rather than yield to it, resigned his office. Then the bill was passed, and Belgium obtained what her people wanted, that is, the gold standard.

The experience of Holland is no less instructive. Prior to 1847 this country had the double standard at the ratio of 15.60 to 1. She had become convinced, however, that a double standard was merely an alternate standard, first one thing and then the other. So she decided to have a single standard, and adopted that of silver in 1847.

When Germany adopted the gold standard a commission was appointed by the King of the Netherlands to examine the monetary question. It recommended that the coinage of silver be suspended for six months, and a bill to that effect was passed in May, 1873. This law was renewed twice for periods of six months each. A second report of the Commission was made, recommending a bill for the adoption of the single gold standard, but this bill was rejected by

the second Chamber in March, 1874. When the law suspending the coinage of silver expired in May, 1874, immense quantities of silver began to flow to the mint. Silver florins passed in trade at the old ratio of 15.60 because they were limited in quantity, but it was obvious that they would soon fall to the bullion value of silver. So in December, 1874, a new six-months' suspension of coinage was ordered by the legislative body—the same one that had refused to adopt the single gold standard. Before this period had elapsed the Minister of Finance proposed that the silver coinage be discontinued indefinitely and that gold coinage be allowed. This bill was passed in June, 1875. Here again the gold standard made its way over the heads of the wise men of the time.

THE GOLD STANDARD IN AUSTRIA.

The adoption of the gold standard by Austria is now in progress, and there is every assurance that it will be carried into effect. That country had had the single silver standard since 1857, but was under a suspension of specie payments. When it was ascertained in 1879 that the decline in silver was likely to be permanent the Government gave orders to the mints in both Austria and Hungary to receive no more of that metal from private individuals for coinage. The effect of this order was to make Government paper money the standard, and this paper varied from day to day in comparison with gold, as did our greenbacks before we resumed specie payments. Some silver was coined on Government account, but as a matter of fact that metal was discarded as a standard by the refusal to coin for private persons. Austria had a gold coinage, indeed, but the gold was commercial money only. It had no legal-tender

faculty, but passed at its quoted value from day to day. Since 1879 the problem of finance in Austria has been two-fold, namely, to resume specie payments (which must, under the circumstances, be gold payments), and to fix a ratio at which all paper money and paper obligations should be redeemable. The ratio decided upon was that of 119 paper to 100 gold, that being the average ratio prevailing in the market during the thirteen years from 1879 to 1892.

As the question of standard was really settled by Austria in 1879, when she closed her mints to silver, we are concerned to know how she came to take that step. The report of the special commission of the upper house on this subject, submitted last year, says that it had become clear as long ago as the decade 1860-1870, when Europe was becoming saturated with gold, that this was the only metal fitted to be the standard of nations of advanced civilization. "Gold was dominant and the standard of value," says this report, "in all trade on a great scale as early as the fourteenth and fifteenth centuries, even though silver was then the standard in all domestic exchanges. * * * *In every age there is some metal dominant in the industry of the world which forces its way with elemental strength in the face of any public regulation, and in our day gold is that metal.*"

This is as good a statement as can be made of the reasons why not only Austria but all the other nations whose action we have examined, including the United States, have adopted the single gold standard. While Austria has been collecting her supply of the yellow metal we have heard a great deal about the "scramble for gold." Why is there a scramble for gold? Merely because gold is universally acceptable. All civilized people are willing to exchange their

property for it to any extent, and this is the only thing they are willing to accept in that way without limit or reserve. That is a good and sufficient reason why there is a scramble for gold and why there is no similar scramble for silver.

A NATURAL EVOLUTION.

If we find a movement of civilized mankind going on steadily for a hundred years, working out in different countries uniform results which commend themselves to successive generations, the presumptions are all in favor of that movement being beneficial. At all events, the burden of proof is upon those who think differently. I am so well convinced of the benefits of the single gold standard that if all power were placed in my hands I would not introduce anything different from it. I should consider it presumptuous to attempt to interfere with an obviously natural evolution in human affairs. I should know, moreover, that such an attempt would be futile, because the first step to be taken would be to alter the preferences and likings of individual men. Society consists of aggregations of individuals, who in their private business prefer one ounce of gold to sixteen ounces of silver, or twenty-five ounces, as the case may be. Unless I can change this preference and liking I cannot alter the monetary standard of Christendom. It is this preference which paralyzes all the international monetary conferences. The secret thought of the delegates in the Brussels Conference was something like this: "What would happen the day after international bimetallism if the commercial classes should continue to prefer one ounce of gold to sixteen ounces of silver?" Any responsible minister of finance must recoil before that query.

I think that the "scramble for gold" would be worse the day after the bimetallic treaty than it was the day before, because everybody would suspect everybody else of gratifying his secret desire for gold at the expense of his neighbors. It should be remarked that the Brussels Conference, as a body, never touched the question of bimetallism, although some of the members improved the opportunity to make speeches on that subject. The Conference went to pieces on a minor question—that of buying a little more silver. The proposal was that the nations should purchase a certain amount of an article that none of them wanted, When the representatives of France and the Latin Union had the intrepidity to say that they would not recommend that policy to their governments, even if it should be adopted, the bottom dropped out of the Conference altogether. Although Mr. Bland has given his attention to this matter as a humorist, in a magazine article, I think that he has come short of exhausting the subject.

NO STEPS BACKWARD.

If the successive steps that we have described, whereby the nations have arrived one by one at the single gold standard, had been the result of a hundred years' conspiracy against the "debtor class," instead of being a natural evolution beneficial to all classes, I should still be unable to see any advantage in changing back. Whatever mischief appertains to this evolution has been done and now belongs to the remote past. Those books are closed. To retrace the steps would merely double the wrong, inflicting it upon a new lot. Those who, according to the hypothesis, suffered in the past are mostly dead. If there be any such victims living in France or Germany, in Holland

or Belgium, or Scandinavia, they are very slow in disclosing themselves to the various international conferences held for their benefit. They are very backward in coming forward.

What is meant by "debtor class" in this discussion? All men who are not bankrupt are both creditors and debtors. The fact that they are not bankrupt implies that they have more due to them in one way and another than they owe. I am proud to believe that the vast majority of my countrymen are of this class, *i. e.*, of the creditor class. I take it that we are not legislating specially for bankrupts. Certainly it would not be wise to change our standard of value for their accommodation. Such a change would produce a great many new bankrupts and would not save any old ones.

What our country needs is more capital. This is especially true of the West and South. There is a great deal of foreign capital that would like to come here, but is deterred by apprehensions of a change in the standard of value. This is not conjecture on my part, but actual knowledge. I do not think there will be a change of standard. I believe in the persistence of gold both here and in Europe, but the belief is very strong in Europe that we shall slip off the gold standard, if we do not go off intentionally. Consequently they keep their money at home or invest it here only on call, and they withdraw it in cases where they can do so without loss. This rule operates with our own capitalists more or less. If money is tight, it is because credit is paralyzed. Lenders are afraid lest the continued operation of the Silver Law should bring about a change of the standard, so that they would get back less than they have put out. While this state of mind continues, it is immaterial, so

far as borrowers are concerned, whether the amount of cash in the country is large or small.

We are told that there is not gold enough in the world to do the business of the world. I have been hearing this for seventeen years. How do you know that there is not enough? If there was not enough seventeen years ago, there may be enough now, seeing that there has been an addition to it of \$1,500,000,000 during that interval, after making a liberal deduction for the amount used in the arts. The old stock does not disappear with use. I have a gold coin of the reign of Philip of Macedon, on which the name and face of that monarch are so well preserved as to possess artistic as well as archæological value. There is no ascertainable relation between the amount of gold in the world and the amount of business done or to be done. The function of gold as a standard of value is increasing while its function as a form of currency is diminishing. The time is surely coming when its currency function in civilized countries will be limited to international payments and to the wants of travelers. That time has already been reached in the greater part of the United States and Canada.

ALLEGED FALL OF PRICES.

We are told that the single gold standard has caused a disastrous fall in the prices of commodities; also that it has put an unjust burden upon those who have borrowed money on mortgage. I have seen no proof that the adoption of the gold standard by Europe and the United States has caused a decline in prices of commodities, nor can I admit that such a decline would be a bad thing. None of us, when we go to market, complain that prices of food, fuel, clothing, etc., are too low. Mr. David A. Wells has written a

book entitled "Recent Economic Changes," which accounts for the fall in price of all staple articles of commerce which really have fallen during the past twenty years, accounts for it by the increased facilities for producing and transporting the same. He has not grouped them all together, as our bimetallist friends commonly do, but has taken each one separately. I commend his example in this particular to their imitation.

As to mortgage debts, I have learned by inquiry of the leading mortgage companies in New York that farm mortgages are generally made for the term of five years, and that about 25 per cent. of them are paid at or before maturity. Consequently, any wrong which mortgagors are now suffering, in consequence of the gold standard, must have accrued since 1888. To redress their supposed wrongs we are asked to turn the whole business of the country upside down and change the rating of all other contracts perhaps 35 per cent. But the average duration of mortgages is considerably less than five years. The *Topeka Capitol* newspaper a year or two ago made a special investigation of the records of a number of agricultural counties in Kansas, and found that more mortgages were paid off than were put on within the period covered by the investigation. Hence the presumption is that the average life of the farm mortgage in Kansas is not more than two and one-half years. I am aware that many mortgages are allowed to run for indefinite periods after they fall due, but these, after they fall due, are call loans on real estate security. I am not aware that borrowers on call are complaining of the gold standard. At all events, if they are oppressed by reason of that standard they can relieve themselves at any time by paying up. If

they do not pay and are solvent, it must be because they find it to their advantage to endure these so-called oppressions a while longer. It is safe to say that all these mortgages would be called in on the first sign of a change in the monetary standard. The tightness of money in such an event may be imagined, but can hardly be described.

NATIONAL DEBTS.

It is insisted that national and State debts are enhanced by the prevalence of the single gold standard. To prove this we are asked to compare the low prices of the present day with prices of past times. Does not that prove that the bondholder gets more value now than he bargained for, and hence that the taxpayer pays more?

No, it does not. Bondholders are entitled to share with others the advantages of low prices of manufactured goods resulting from new inventions and facilities for production and transportation. As to products of the farm, prices were much lower when I was a boy than they are now. Eggs sold then for 4 cents per dozen, butter for 6 to 8 cents per pound, corn for 15 cents per bushel, wood for \$1 per cord, etc., etc. If the gold standard has had any lowering effect on prices it has not touched these articles. But why should we shed tears over national and State debts, seeing that ours are nearly all paid? Let the crocodiles of Europe weep over the enhanced burden of national debts if there be any such enhancement due to the gold standard, which I take leave to deny.

Suppose it were true that national and State debts were enhanced in the manner alleged, would that be a reason for changing the standard of value for the countless daily transactions of business? The bank

clearings of seventy-nine cities in the United States for the week ending May 20 amounted to \$1,165,478,664, which is about double the interest-bearing debt of the nation. Add to this the payments of wages and the retail transactions that are not embraced in clearing-house returns, and then multiply the whole by the fifty-two weeks of the year and you will see how large a cannon you are loading to kill a mosquito and what a tremendous recoil it must have.



A FEW WORDS MORE ON THE COINAGE ACT OF 1873.

FROM THE N. Y. EVENING POST, JULY 3, 1893.

A correspondent for whom we have a good deal of respect writes to us to remonstrate once more against the Silver-Demonetizing Act of 1873. "Just as soon as it was discovered," says this writer, "that bimetallism was abolished, and before silver had fallen in price, Mr. Bland, the humorist, as Mr. White is pleased to call him, attempted to restore to the people a right that had been unwittingly taken from them." The record shows that neither Mr. Bland nor anybody else attempted to remonetize silver until after it had fallen in price more than 5d. per ounce. When the Act of 1873 was passed, the London quotation for silver was 59 $\frac{3}{4}$ d. When Mr. Bland introduced his bill (November, 1877), the quotation was 54 $\frac{1}{2}$ d. But that is not very important now.

The assumption that "the people" had "a right" which was "unwittingly" taken from them embraces a congeries of errors which need to be exposed—all the more because they are honestly entertained. In

the first place, who are "the people" who had a right that was unwittingly taken from them? Of course, they were the people of the United States. How do we know what the people of the United States want at any particular period? By their action in Congress. There is no other way by which their wants can be ascertained. Now, what do we find as to this Act of 1873 demonetizing silver? It was passed by a Congress which was the sole organ of the people as to such matters—passed by a vote unanimous in one branch and nearly unanimous in the other.

"But *we* did not understand it," says somebody who was not a member of Congress. It was not necessary that you should understand it. This would be a queer country if it were necessary that all the people should understand all the laws before they are passed. Neither the Constitution nor common sense required that you should understand it. But neither did they forbid your understanding it if you had wanted to. Your understanding it would not have given it greater validity or higher equity. Your not understanding it took nothing from its validity or its equity. The frame of government under which you live prescribed that your representative in Congress should act for you. It did not even require that *he* should understand it, but as a matter of fact he did understand it, because it was explained to him by public officers and also in public debate.

If we could get an impartial jury from another country or another planet to try this question, that jury would be bound to decide that "the people" passed that Act of 1873 in its entirety, in the only way they ever pass an act applicable to the whole Union. The impartial jury would probably add that since the people had had twenty years in which to remo-

netize silver, and had not done so, but on the contrary had voted down propositions of that kind *four times* in the popular branch of Congress, the evidence was conclusive that they were *not* misrepresented by the Congress which passed the Act of 1873. They voted down the remonetization of silver on the 21st of February, 1878, when they substituted the Allison Bill for the Bland Bill by yeas 203, nays 72. They voted it down on the 8th of April, 1886, on Mr. Bland's direct motion for the free coinage of silver, yeas 126, nays 163. They voted it down on the 19th of June, 1890, on a motion to concur in the Senate free-coinage bill, yeas 135, nays 152. They practically voted it down on the 24th of March, 1892, by voting against a parliamentary motion made by Mr. Bland. The majority against Mr. Bland was only two votes in this case—150 to 148—but it was sufficient for the purpose.

But we are told that "a right" was taken away from the people when the Act of 1873 was passed, and the implication is that they have been vainly struggling to recover this right for twenty years—a very odd situation indeed for a country where the people can pass any law that they really want. It is the fault of some writers that they use important words without explaining, perhaps without knowing, their meaning. What is this "right" of which the people were deprived by the Act of 1873? Rights may be legal, or moral, or religious. In which category does this right fall? If it was a legal right, it was founded upon a law which Congress had the same right to repeal as to enact. It is not even affirmed that this was a valuable right, although that is implied. A man may have a legal right to two wives, but it may be an injury to him.

He may have a legal right to get drunk, but that can hardly be considered valuable.

Was this right of coinage, of which the people were deprived, a moral right? Moral rights are matters of opinion and of dispute, but it may be affirmed with confidence that the existence of a moral right of coinage, in the sense here implied, has never been affirmed or imagined in any country or age since the world began. In the early history of California coins were manufactured by private parties and put in circulation, to pass for what they were worth, and this has been done in various parts of the world at various times. Such coins had no legal-tender property. They were small ingots which anybody could accept or refuse, according to his liking. The contention here is that a moral right exists for private persons to make $412\frac{1}{2}$ grains of silver legal tender for a dollar in the absence of any law to that effect and in the teeth of any law which forbids it. This is really too absurd for discussion—as absurd as it would be to claim this as a religious right. We may add that if this is a moral right, it belongs to all mankind, seeing that they have all had silver money at one time or another. It is surprising that so few recognize it as a right or set up any claim to it.

Finally we are told that this right had been taken from the people “unwittingly.” We repeat that ours would be a very queer country if no law could be passed till everybody understood it. There has been a great deal of talk in the newspapers lately about an act of Congress regulating the seal fisheries in Alaska. How many people knew what that bill was before it was passed? How many know what it is now? Even the lawyers who are discussing it before the Paris Tribunal do not

agree in their understanding of it. Science has not yet devised any means to compel people to know what is going on in Congress. The difficulties of forcing such knowledge upon ten or twelve millions of voters, large numbers of whom do not speak English or read and write any language, and still larger numbers of whom know nothing of finance, and never could by any possibility learn anything of it, are simply appalling.

Even in the case of those who make some pretensions to scientific attainment an attempt to make them understand the bills before Congress would be quite herculean. Suppose that our correspondent and the writer of this article were brought to the bar of the House and asked whether they understood the pending measure, so that it might not be passed "unwittingly" as to themselves, and suppose they should apply in the affirmative, what guarantee would Congress have that they really did understand it? They might think that they understood it when they did not. Something of this kind actually happened in connection with the Coinage Act of 1873. The Hon. William D. Kelley of Pennsylvania took part in the debate on the clause dropping the silver dollar from the list of coins, and defended that clause on the ground that the silver dollar was worth two cents more than the gold dollar, and that it was impossible to have two dollars of different values. He afterwards said that he did not understand this particular part of the bill.

What happened in Mr. Kelley's case would be still more likely to happen in the case of talesmen hastily summoned from the body of the people as assistant Congressmen. Our forefathers, anticipating all the difficulties attendant upon the endeavor to force all

the people to understand all the bills before Congress at all stages, wisely provided that such antecedent knowledge should be dispensed with, but they took steps to give facilities for such knowledge. If it is a defect of our system that laws are passed "unwittingly," it is a defect which we share with all other governments, and it seems to us to be inherent in the representative system. At all events, we see no present cure for it.

It thus appears that our correspondent, for whom, as we have said, we entertain much respect, has, in a single sentence, used three phrases, all of them important, and carrying with them the gist of the debate on a momentous question, without any clear idea of their meaning. He has used the word "people" as though it were an entity separate and distinct from the only organ established for the expression of its will, but he has not told us where we can find this entity or how we can interrogate it. He affirms that the people have been deprived of a "right" without telling us whether it is a legal or a moral right, or how it came to exist, or what portion of the civilized world regard it as a right, or how we are to know that it is a right, or anything about it. He has affirmed that the people were deprived of this right "unwittingly," implying that no law ought to be passed until all the people understand it. (It is not necessary, according to the hypothesis, that they should approve it, but only that they should understand it.) In using these phrases in this way he has "begged the question" completely, but we presume that he was not aware that he was doing so. We have taken some pains to point out his unfounded assumptions because we know that he represents a good many people who, like himself, are honestly in error.

Very faint, illegible text, possibly bleed-through from the reverse side of the page. The text is arranged in several paragraphs and appears to be a formal document or letter.

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